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NEWSWEEK
28 December 1981

What the U.S. Lost in Iran

It was more than an hour after Iranian militants broke into the U.S. Embassy in Teheran that the order was finally given to destroy classified material—and by then it was too late. NEWSWEEK has learned that the critical delay, coming after months of lax security precautions at the embassy, had a far graver impact than heretofore grasped—a vast loss of sensitive material that continues to this day to compromise U.S. intelligence sources and methods. The breach gave away names of agents and sources in Iran and other countries, divulged intelligence code names and priorities and damaged intelligence-gathering efforts as far away as Europe. "There was a really massive hemorrhaging of classified documents," admits a former Carter Administration official responsible for monitoring the hostage crisis. "I don't think that's containable. You can't simply change your *modus operandi* worldwide."

Damage: This account of the consequences of the embassy takeover contrasts sharply with previous explanations. U.S. officials have always maintained that there was little sensitive material kept in embassy offices. But former hostage Joseph Subic, who worked as a document custodian in the Defense Attaché's Office (DAO), has provided detailed information to NEWSWEEK on intelligence seized by the militants. Even some documents that were shredded shortly after the militants struck were literally pieced together and are currently available in Iranian bookstores. U.S. officials now say that the intelligence losses in Teheran probably equal the damage done when North Korea captured the Navy spy ship Pueblo in 1968, or when the United States evacuated its embassy in Sa

The only military hostage who did not receive a medal when he returned home, Subic was discharged from the service by Army Secretary John O. Marsh with a letter that accused the former staff sergeant of having "identified, explained and isolated the most sensitive intelligence information reports." But Subic, 25, now a student of political science at George Washington University, passed a lengthy lie-detector test arranged by NEWSWEEK. And many of the details he provided have been confirmed by other hostages and government sources. "I cooperated once they [the Iranians] had the documents," Subic maintains. "It was fruitless not to."

The roots of the debacle go back months before the takeover in November 1979. As opposition to the Shah mounted, U.S. Ambassador William Sullivan ordered embassy files purged of all sensitive material. "At that point," recalls Col. Leland Holland, another former hostage, "everything was destroyed or pouched back [to Washington]. Sullivan personally checked every file drawer in the embassy." The precaution proved prescient in February 1979, when militants invaded the embassy for several hours. But then the embassy reverted to business as usual—with Col. Thomas Schaefer, the defense attaché, ordering the return of almost all documents that had been sent to Washington for safekeeping. "The situation looked better, so the Defense Intelligence Agency [DIA] resupplied them," confirms another intelligence officer. By the time the militants struck again, there were nine safes full of documents in the attaché's office. Subic insists it would have taken 24 hours to destroy them all

UPI

John Ficara-Newsweek

Subic about to leave Iran (left) and at George Washington University: Other sources—and a lie-detector test—confirmed his story

bers in the intelligence reports, but anyone with the print-out could easily determine their names, whereabouts and details of the information they had supplied. "Lives are at stake on that one," says a retired intelligence official. "When that file falls, then you have given away the farm."

- Records of Operation Gray Pan, a joint CIA-DIA plan to steal a Russian-made anti-aircraft gun and armored personnel carrier that the Soviets had sold to the Iranian Army in 1978. The operation, which was apparently stymied by the revolution, depended on sympathetic Iranian Army officers who were identified in the file.
- More than a month of intelligence reports from the U.S. Pacific Command—detailing U.S. knowledge of Soviet ship movements—and from the European Command, which monitors Warsaw Pact deployments.
- DIA documents that listed the priority of

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